USDA Farm Service Agency

KANSAS
Bill R. Fuller, State Executive Director

March 2006
State-Wide Newsletter

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Conservation Reserve Program (CRP)

Is Your CRP Land Expiring in 2007?
In 2007, Kansas has 1.6 million acres of CRP land scheduled to expire - nationally there are nearly 16 million acres scheduled to expire. FSA is offering re-enrollments and contract extensions to certain contract holders in an effort to preserve CRP's significant and enduring environmental benefits to American farmland. The Environmental Benefits Index (EBI) is a ranking of the lands contribution to improving: soil erosion, water quality, air quality, trees, and wildlife habitat. At the time of the original CRP offer, EBI data was collected and a point score was assigned. This data was used to compete against other offers.

Re-Enrollments and Extensions:
Producers with expiring contracts will be notified of the opportunity to re-enroll or extend their CRP contracts. April 14 is the final date to accept offers. Contracts expiring in 2007 will be offered re-enrollment or extensions in five groups:
- Those ranking in top one-fifth of the EBI can re-enroll their land in a new 10-year contract; land with restored wetlands can have a 15-year contract.
- Those ranking in the second one-fifth of the EBI will be offered a 5-year extension.
- Those ranking in the third one-fifth of the EBI will be offered a 4-year extension.
- Those ranking in the fourth one-fifth of the EBI will be offered a 3-year extension.
- The remaining contracts will be offered a 2-year extension, unless the county has reached the 25 percent cropland limit.

General CRP Signup Announced:
Farmers and ranchers will be able to make offers for CRP's competitive general signup from March 27, 2006, through April 14, 2006. Offers for general signup will be evaluated based on EBI and cost. Producer's enrolling in CRP plant long-term, resource-conserving covers, with Commodity Credit Corporation providing annual rental payments, cost-share and technical assistance.

FSA State Review Begins

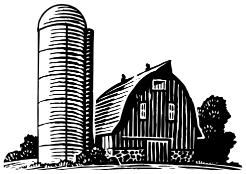
As your State Executive Director, I am initiating a review of our Kansas FSA operation. FSA Administrator Teresa Lasseter has asked each SED to conduct a review of facilities, staffing, training, and technology. Service to farmers and ranchers continues to be the highest priority. Operating within existing budgetary resources and staffing ceilings is a reality. Unlike the ill-fated FSA Tomorrow national initiative unveiled last September that was quickly abandoned, this review is to be state driven. There is no comprehensive national plan or formula. Kansans deciding what is best for Kansas – a refreshing concept and what a great opportunity!

As the first step, we have scheduled three FSA Stakeholder Meetings across the state:
- **March 28** (1:00 - 4:00 p.m.) **Garden City**, Plaza Inn (North Ballroom)
- **March 29** (1:00 - 4:00 p.m.) **Great Bend**, Barton County Community College (Auditorium)
- **March 30** (12:30 - 3:30 p.m.) **Topeka**, Kansas Museum of History

Producers, farm organizations, commodity groups, policy makers, community leaders will receive information on FSA programs, structure, and challenges. Most important, the bulk of the time will be allocated to listening to stakeholders outline their expectations and present recommendations.

Later, the process will include study by a Review Committee and the development of a Kansas Plan. If the state developed plan recommends closure or consolidation, a public hearing will be held in the county in which the affected FSA Office is located.

Bill R. Fuller
State Executive Director
Kansas Farm Service Agency



Farm Loans

Beginning Farmer and Rancher Loans:
The beginning farmer and rancher loans were developed for individuals who have participated in the management of a farm or ranch, or who have operated a farm or ranch for less than 10 consecutive years.

Socially Disadvantaged Applicants:
FSA earmarks a portion of its farm loan funding for socially disadvantaged applicants, people who have been subjected to racial, ethnic or gender inequality without regard to their individual qualities. Socially disadvantaged applicants may be women, African Americans, American Indians, Hispanics, Asian and Pacific Islanders and Alaskan Natives. Applicants must meet the same eligibility criteria as other applicants.

Rural Youth Loans:
FSA makes operating loans to youth 10 to 20 years old to establish and operate income producing projects. To qualify, the borrower must be a U.S. citizen, live in open country or a town of less than 10,000 people, and be unable to get a loan from other sources. Up to $5,000 can be used to finance income producing projects in conjunction with participation in 4-H, FFA, or a similar club.

Toll-Free Number for Direct Loan Customers
FSA has a useful new service that is provided to our customers. Beginning February 2, 2006, FSA direct loan customers can check the status of their accounts anytime, day or night, using the new toll-free telephone number, **1-888-518-4983**. The number can be utilized in English or Spanish. The system provides FSA direct loan borrowers with: loan number, original loan amount, unpaid principal, if loan is delinquent and amount of delinquency, due date and principal and interest amount of next installment, date last payment received, interest paid in current calendar year, and interest paid for prior loan year. On the initial call, callers will need the tax ID associated with their loan and zip code - a PIN number will be created for future access. The system is user friendly. The system will prompt borrowers to contact FSA if action is required on their account. To make a final payment on their account, borrowers will be asked to contact their FSA servicing office.

Annual Notification of 2006-Crop Commodity Loans and Loan Deficiency Payments

Annual Program Requirements:
- All acreage on the farm must be reported by applicable deadlines (FSA-578).
- Compliance with sod/swampbuster provisions (AD-1026).
- Person Determination (CCC-502)
- Has beneficial interest in the commodity.
- Shares a risk of producing the commodity.
- Not be convicted under Federal or State law of a controlled substance violation.
- Average Gross Income Provisions apply.
- Not have a Federal non-tax debt.

A payment limitation of $75,000 for all crops per crop year per person applies to LDPs and market loan gains from cash loan repayments at a rate less than the principal plus interest. A separate payment limitation of $75,000 applies to wool, mohair, peanuts and honey.

Eligible LDP and Loan commodities are barley, corn, cotton, grain sorghum, oats, oilseeds (canola, crambe, flaxseed, mustard seed, rapeseed, safflower seed, soybeans, and sunflower seed), wheat, wool, mohair, pulse crops, lentils, dry peas, honey and peanuts. Additional LDP commodities are unshorn pelts, silage and hay from an eligible loan commodity. Eligible commodities must:
- Have been produced by an eligible producer.
- Be mechanically harvested (combined, baled, silaged) and in a storable condition.
- Not be substituted or purchased.
- Meet specific commodity eligibility requirements for a nonrecourse loan.
- Not contain mercurial compounds, toxin-producing molds, or other substances poisonous to humans or animals.
- Be merchantable for food or feed.
- Meet the definition for the commodity in the Official United States Standards for Grain or Rice.

The final availability date for loans and LDPs is:
- January 31 for wool, mohair, and unshorn pelts.
- March 31 for barley, canola, crambe, flaxseed, honey, oats, rapeseed, and wheat.
- May 31 for corn, cotton, grain sorghum, mustard seed, safflower seed, soybeans, sunflower seed, lentils and dry peas.

Beneficial Interest:
A producer is considered to have beneficial interest in the commodity if all the following remain with the producer:
- Control of commodity - A producer has control of the commodity if the producer keeps the ability to make

- Risk of loss - A producer has the risk of loss in the commodity if the producer is: 1) responsible for any loss or damage to the commodity, 2) to receive any insurance indemnity to be paid in the event of loss.
- Title to the commodity - A producer may be considered to have title to the commodity if the producer has not sold or delivered the commodity, including the delivery of warehouse receipts.

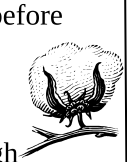
A producer must retain beneficial interest from planting, through harvest, and through the date the CCC-633EZ Page 1 is filed or a loan is repaid. The commodity cannot be substituted, transferred, or purchased.

Public Warehouse Definition in Kansas:

The State Law of Kansas, to paraphrase, states "any person or entity that wishes to store commodities on open storage for another person or entity must be licensed and bonded." If the license and bond do not exist, then by law, title passes to the buyer upon delivery. Even though title passes, numerous contracts can exist such as Price Later, Price Deferred, Confirmation of Purchase, and others. State Law also addresses grain bank commodities stating they are considered as storage commodities, and therefore the entity must be licensed and bonded to handle grain bank commodities.

FSA Handbook 8-LP defines a public warehouse as any elevator, seed house, feed store, or other structure that insures the commodity regardless of the commodity ownership, or receives compensation for storage based upon the quantity stored, such as per bushel, hundredweight, etc. Price Support operating procedure requires warehouses to be either State licensed or Federally licensed, plus have a Uniform Grain and Rice Storage Agreement (UGRSA). This enables the warehouse to issue warehouse receipts and the FSA County Office to process the receipts for a commodity loan.

This State Law and FSA procedure means that in Kansas, where almost all feedlots are not licensed and bonded, title transfers from the producer to the feedlot upon delivery. In almost all cases, the CCC-633EZ Page 1 must be filed before any commodities are delivered to a feedlot. The same policy applies for any elevators, dairies, seed houses, or feed stores in Kansas. They must be licensed and bonded to handle commodities on an open storage basis, and if they are not licensed and bonded, title transfers upon delivery and the CCC-633EZ Page 1 must be filed before harvest or delivery to remain eligible for an LDP.



Loan Deficiency Payments (LDP's):

LDPs are payments made to producers who, although eligible to obtain a Commodity Credit Corporation loan, agree to forgo the loan in return for a payment on the eligible commodity.

The only form applicable for all LDPs in 2006-crop year and subsequent years is the CCC-633EZ. The CCC-633EZ Page 1 must be filed before beneficial interest is lost (prior to shearing, combining, haying, silage, ginning). Filing a timely CCC-633EZ Page 1 allows the producer to later file the CCC-633EZ Page 2 request for LDP payment, even after beneficial interest is lost. To request the LDP payment, file the CCC-633EZ Page 2 anytime up to the final loan/LDP availability date, as long as a CCC-633EZ Page 1 was filed before beneficial interest is lost. Instead of the CCC-633EZ Page 2, use CCC-633EZ Page 3 for cotton, and CCC-633EZ Page 4 for wool, mohair and unshorn pelts. The CCC-709 form is no longer applicable for LDPs starting in the 2006 crop year.

If the CCC-633EZ Page 2 is filed before beneficial interest is lost, then the LDP rate is the rate in effect on the date of application. If the CCC-633EZ Page 2 is filed after beneficial interest is lost, but before the final loan availability date, then the LDP rate would be the rate in effect the date beneficial interest was lost.

LDP applications may be faxed to the FSA county office. Faxed applications are considered complete when all required items are completed correctly, form is signed and dated and received in the applicable county office. The producer is responsible for ensuring the correct form is used, completed correctly, signed, dated and received by the FSA office. Producer must have proof of a successful fax transmission for any appeals. If the requirements of a faxed LDP are not met, then the LDP request will not be accepted.

Commodity Loans:

Nine-month commodity loans may be obtained by placing the eligible commodity in approved:

- Farm storage, and either requesting a measurement service or certifying the loan quantity on CCC-666.
- Warehouse storage, and obtain a loan on 100 percent of the net quantity on the warehouse receipt.

A lien search, including Federal and State tax liens, will be performed in the Secretary of State's office for all loans after the loan request is filed and before the loan can be approved. The producer must obtain all necessary lien waivers (CCC-679) before the loan can be disbursed.

The county loan rate will be:

- If farm stored, the rate applicable in the county where the commodity is stored, adjusted for applicable discounts.
- If warehouse stored, the rate applicable in the county where the commodity is stored, adjusted for premiums and discounts. For warehouse receipts under merged warehouse code agreements the receipt must show location and county where the commodity was originally delivered, and the loan rate in the county where the commodity was delivered will apply.

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Interest is based on the interest rate announced by Commodity Credit Corporation (CCC) for the month in which the loan is disbursed plus one percent, and is adjusted January 1 based on the interest rate announced for January by CCC, plus one percent.

A nonrecourse loan is a loan for which the commodity offered as collateral for the loan meets the quality eligibility requirements, and may, therefore, be delivered or forfeited to CCC, at loan maturity, in satisfaction of the loan indebtedness. A recourse loan is a loan, for which the commodity offered as collateral does not meet the quality eligibility requirements, and:

- May not be delivered or forfeited to CCC in satisfaction of the loan indebtedness, and
- Must be repaid in full on or before the loan maturity date.

In addition to these requirements, Kansas has additional Farm Stored policies dealing with stored grain for loans. Some of the policies include: the storage structure must have permanently installed ladders and allow for safe measurement and proper treatment, and grain must be in a measurable position. Check with FSA before harvest if you are considering a Farm Stored commodity loan. Ensure you know all the policies before harvest.

2006 GRAZE-OUT Payment Program:
Grazed acreage of wheat, barley, oats and triticale are eligible for a GRAZE-OUT payment only if the acreage is certified as intended for grazing only and the acreage is not harvested by any mechanical means. Applications can begin to be filed after the established mechanical harvest date for these commodities.

Dates to Remember

March 15	Final date to obtain 2006 NAP policy on most spring seeded crops, including vegetable and nut crops.
March 31	Final date to obtain loans or LDPs on 2005 wheat, barley, oats, and honey.
April 14	CRP signup ends.
May 31	Final date to certify small grains.
May 3	Final date to obtain loans or LDPs on 2005 feedgrains, oilseeds, cotton.
May 31	Final date to apply for Hard White Wheat Incentive Payment on 2005 production.
June 1	Sign-up ends for 2006 Direct and Counter-cyclical Payment Program, without paying late fee.
August 1	Final date to certify spring seeded crops, CRP, and NAP (or 15 days prior to onset of harvest or grazing).
On-Going	-Continuous CRP -Direct and Guaranteed Operating and Farm Ownership Loans -Rural Youth Loans for 10-20 yr olds -Farm Storage Facility Loans -File CCC-633EZ Page 1 before losing beneficial interest

Contact your local FSA office to determine if they are accepting appointments for the program signups.

Obtain copies of the 2006 FSA Customer Calendar, county/district newsletters, and state news releases on the Kansas website at: www.fsa.usda.gov/ks/

Conduct your USDA business on-line by obtaining an eAuthentication Level 2 Account. Learn more at: www.eauth.egov.usda.gov/#L2